

## Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 PM-07 CIAE-00 INR-11 NSAE-00 RSC-01

DODE-00 L-03 MC-02 COME-00 TRSE-00 EB-12 OC-06 CCO-00

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R 020944Z OCT 74

FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 7323  
INFO CINCPAC

C O N F I D E N T I A L MANILA 11832

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS

TAGS: EFIN, RP

SUBJECT: ITPC SALE OF NAVAIDS TO PHILIPPINES

REF: STATE 205376 AND MANILA 5342

BEGIN SUMMARY: ALTHOUGH WE HAVE RESERVATIONS ABOUT PRICING, EMBASSY SEES NO JUSTIFICATION FOR REFUSAL OF EXPORT LICENSE TO INTERNATIONAL TECHNICAL PRODUCTS CORPORATION (ITPC) FOR NAVIGATIONAL AIDS TO PHILIPPINE AIR FORCE (PAF). MANILA REPRESENTATIVE OF ITPC REPORTS THAT FINANCING DETAILS OF TRANSACTION HAVE YET TO BE WORKED OUT ALTHOUGH HE IS OPTIMISTIC THAT CONTRACT IS VIABLE.

OUR EVALUATION OF PURCHASE IS THAT ITPC IS CHARGING SIGNIFICANTLY HIGHER PRICES THAN CURRENT USAF ACQUISITION COSTS. WE RECOGNIZE THAT PAF NEEDS MUCH OF NAVAIDS PACKAGE ALTHOUGH DOUBTS EXIST AS TO ESSENTIALITY OF PORTIONS OF ORDER. ESSENTIALITY, HOWEVER, IS RECOGNIZED AS JUDGMENT FOR GOP TO MAKE. END SUMMARY.

1. EMBASSY HAS NO OBJECTION TO ISSUANCE OF MC EXPORT  
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LICENSE TO ITPC FOR COMMERCIAL SALE OF NAVIGATIONAL AIDS

AND TELECOMMUNICATIONS EQUIPMENT TO PAF. ORDER IS FOLLOW-UP ACQUISITION TO PREVIOUS \$2.7 MILLION PAF CONTRACT WITH COMPANY WHICH SUPPLIED 1 TACAN, 1 VOR, 1 NDB, 1 VASI SYSTEM, 1 SET PORTABLE RUNWAY LIGHTS, 1 SET OMNI-STROBE APPROACH LIGHTS, 1 CONTROL TOWER AND 1 QUAD RADAR. TYPE OF MATERIAL CONTAINED IN BOTH CONTRACTS IS PRINCIPALLY STANDARD AIRPORT EQUIPMENT WHICH COULD SERVE EITHER CIVIL OR MILITARY AVIATION PURPOSES. EXCEPTION WOULD BE UHF RADIO EQUIPMENT IN BOTH PACKAGES WHICH IS ONLY TO MILITARY AVIATION AND NA/TRC-97 TROPOSCATTER TERMINALS WHICH ARE APPARENTLY INTENDED SOLELY FOR MILITARY/GOVERNMENT PURPOSES.

2. DOCK WIGGINS, VICE PRESIDENT AND GENERAL MANAGER, ITP (FAR EAST) LTD., MANILA OFFICE, ADVISES EMBOFF THAT CONTRACT IS MOVING TOWARD FINALIZATION. ALTHOUGH CONTRACT HAS BEEN SIGNED BY PRESIDENT MARCOS, FINANCING DETAILS OF TRANSACTION MUST YET BE WORKED OUT BETWEEN FINANCE SECRETARY VIRATA'S OFFICE AND BANKS. WIGGINS IS OPTIMISTIC THAT CONTRACT WILL BE VIABLE. COMPANY REPORTEDLY HAS MADE \$50 MILLION SALE OF SIMILAR EQUIPMENT IN LAST YEAR TO IRAN AND \$14 MILLION TO KUWAIT.

3. WIGGINS COMMENTED TO EMBOFF THAT PRICE ON EQUIPMENT/TURNKEY PACKAGE CONTINUES AT SAME LEVEL AS THAT QUOTED LATE MARCH 1974 TO PAF. ITP REPRESENTATIVE INDICATED THAT HE FELT QUOTATION WAS REASONABLE CONSIDERING ANCILLIARIES, SOFTWARE, ASSOCIATED EQUIPMENT AND INSTALLATION/TURNKEY COSTS. CLAIMED THAT COMPANY MAY REALIZE LIMITED PROFIT ON TRANSACTION IF PRICE ESCALATIONS CONTINUE.

4. US MISSION HAS EVALUATED PURCHASE FROM STANDPOINT OF COST AND NEED. ITPC IS CHARGING SIGNIFICANTLY HIGHER PRICES THAN CURRENT USAF ACQUISITION COSTS. USAF, FOR EXAMPLE, OFFERED THIS YEAR TO SELL THREE TACAN'S TO PAF AT TOTAL PRICE \$647,000 WHICH INCLUDED GROUND POWER AND SPARE PARTS. ONE THIRD OF ABOVE WOULD COME TO \$216,000 ALTHOUGH PRICE DOES NOT INCLUDE SHELTER AND AIR CONDITIONER. ITP OFFERS ONE TURNKEY TACAN WITH SHELTER AND IARCONDITIONER FOR \$872,000. ALTHOUGH LOWEST BIDDER IS NOT ALWAYS

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SUCCESSFUL ONE, SALE WAS MADE IN COMPETITION WITH NARTHROP-PAGE, ITT AND OTHER SUPPLIERS OFFERING COMPARABLE EQUIPMENT AND TURNKEY INSTALLATION.

5. US MISSION RECOGNIZES PAF NEED FOR MUCH OF NAVAIDS PACKAGE ALTHOUGH SOME TECHNICAL DOUBTS EXIST AS TO ESSENTIALITY OF PURCHASING SPECIFIC UNITS AND PRICES OF EQUIPMENT. ESSENTIALITY, HOWEVER, IS RECOGNIZED AS GOP

JUDGMENT. PAF COULD CERTAINLY USE AN/TRC-97 Q TROPOSCATTER  
TERMINALS WHICH OFFER HIGH-QUALITY TRANSPORTABLE POINT-TO-  
POINT COMMUNICATIONS. METHOD IN WHICH THIS EQUIPMENT IS  
USED WILL DETERMINE ITS ACTUAL UTILITY. TROPO EQUIPMENT  
MOST PROBABLY IS INTENDED TO SUPPORT IN PART SUBSEQUENT  
TACTICAL AIR DEFENSE RADAR PACKAGE. WITH REGARD TO GCA-  
QUAD RADAR PAF HAS NO SUCH RADAR AT PUERTO PRINCESSA  
ALTHOUGH IT HAS FULLY OPERATIONAL RADAR AT BASA AB WHICH WAS  
OVERHAULED LAST YEAR AND A NEW SALENIA CAA RADAR AT MACTAN  
AB. ALTHOUGH MATTER IS GOP JUDGMENT TO MAKE, UNIT AT BASA  
SITE WOULD NOT APPEAR TO NEED REPLACEMENT NOR IS THERE A  
REQUIREMENT FOR SEPARATE MILITARY AND CAA RADARS AT MACTAN.  
WITH REGARD TO MOBILE CONTROL TOWERS EMBASSY CONCLUSION IS  
THAT ALL LOCATIONS TO BE SUPPLIED ARE IN REAL NEED OF  
ADEQUATE EQUIPMENT.  
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